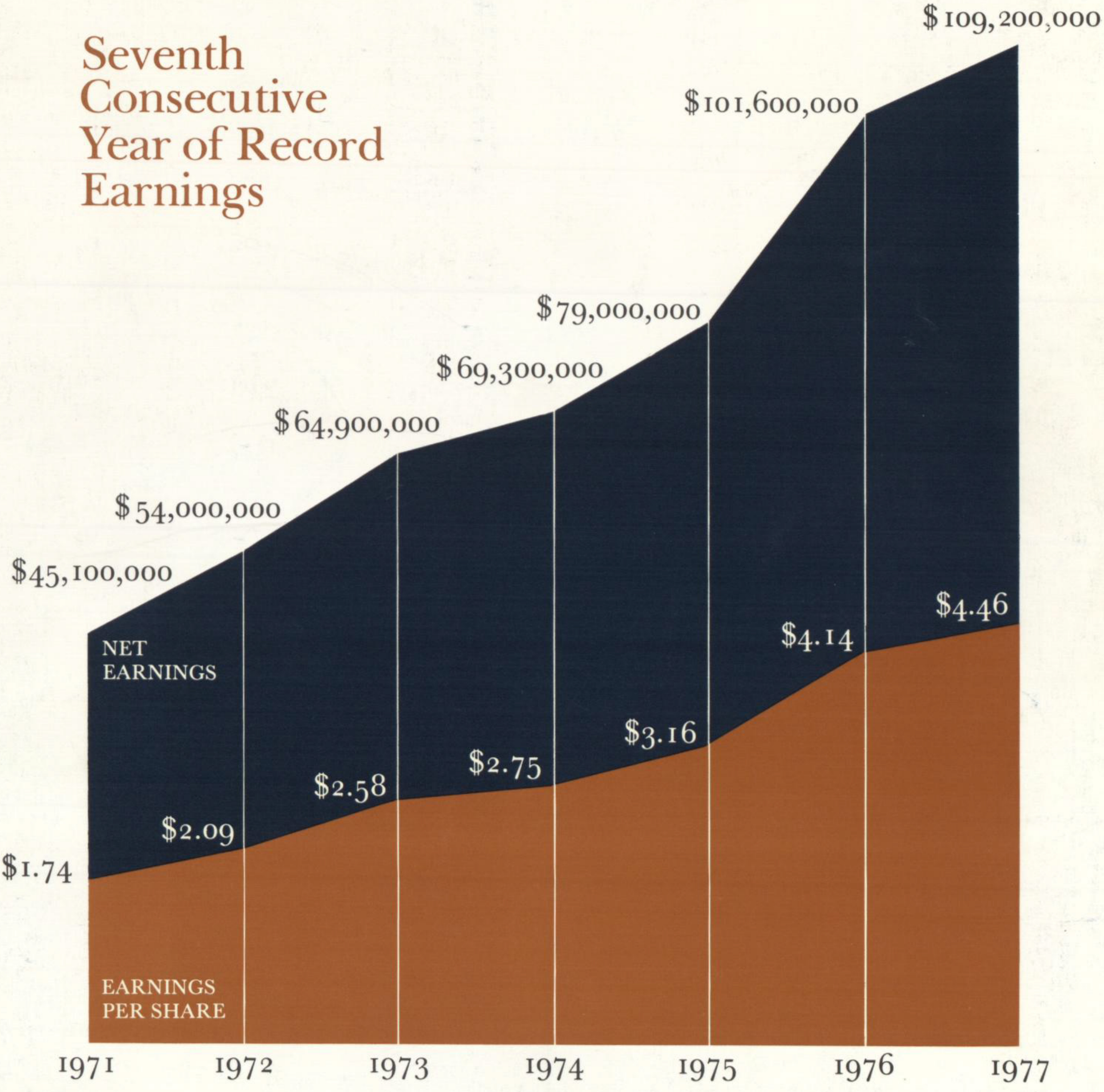
Dart Industries Inc.
1977 Annual Report

Seventh Consecutive Year of Record Earnings



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Annual Meeting

The Annual Meeting of Stockholders of Dart Industries Inc. will be held at 9 a.m. on Thursday, May 4, 1978, at Corporate Headquarters, 8480 Beverly Boulevard, Los Angeles, California.

NOTE: Product names printed in *italics* on all pages indicate trademarks.

Company Description

Dart Industries Inc. is a diversified company with emphasis on the manufacturing and marketing of consumer products, chemicals, plastics and packaging.

Its products are marketed directly to consumers in the home or through retail outlets, or indirectly through intermediate manufacturers and converters whose products are used by consumers.

An enterprise of more than 40 operating divisions and approximately 31,000 employees, Dart Industries is divided into four primary operating segments—Direct Selling, Consumer Products, Chemical-Plastics and Glass Containers.

Among Dart Industries' better known products are *Tupperware* plastic containers for preparing, storing and serving food, *West Bend* cookware and electric housewares, *Syroco* home decorative accessories, *Coppercraft Guild* giftware and *Wilsonart* decorative laminates.

Other products include *El Rexene* plastic resins used in the manufacture of packaging materials and a variety of consumer products, and *Thatcher* glass containers and bottles for the packaging of foods and beverages.

Still other products include chemical and plastic specialties, pollution control equipment and services, and plastic cups, tubes and containers.

Of the Company's total operations, approximately 25 percent of sales and 39 percent of after-tax earnings come from activities outside the United States. These activities include *Tupperware* plastic containers, plastic packaging and chemical specialties.

Corporate headquarters for Dart Industries is in Los Angeles, California. The mailing address is P.O. Box 3157, Terminal Annex, Los Angeles, California 90051.

The Year in Brief

		1977	1976
Operations	Net sales	**$1,600,988,000**	$1,476,240,000
	Earnings before taxes	**200,696,000**	190,613,000
	Net earnings	**109,196,000**	101,613,000
	Earnings per share of Common Stock		
	Primary	**4.46**	4.14*
	Fully diluted	**4.18**	3.88*
	Return on average Stockholders' equity	**13.6%**	14.0%
	Return on net sales	**6.8%**	6.9%
At Yearend	Current assets	**$ 795,037,000**	$ 708,883,000
	Current liabilities	**274,486,000**	243,283,000
	Working capital	**520,551,000**	465,600,000
	Long term debt	**238,716,000**	241,188,000
	Stockholders' equity	**846,013,000**	765,077,000
	Shares of Common Stock outstanding	**23,132,600**	23,111,200*
	Shares of Preferred Stock outstanding	**2,948,500**	2,953,500

**Adjusted for 3% Common Stock dividend paid in May 1977.*

Sales and Pre-tax Earnings by Operating Segments

(Dollar amounts in millions)	1977		1976		1975		1974		1973	
	SALES	EARNINGS	SALES	EARNINGS	SALES	EARNINGS	SALES	EARNINGS	SALES	EARNINGS
Direct Selling	**$ 575**	**$146.3**	$ 512	$133.1	$ 459	$108.5	$ 394	$ 98.0	$305	$ 77.1
Consumer Products	**206**	**25.5**	244	27.8	237	19.8	241	20.4	208	16.4
Chemical and	**253**	**18.3**	232	33.8	170	31.6	205	65.4	135	23.8
Plastics	**315**	**28.5**	279	17.1	228	11.6	227	23.7	203	23.2
Glass Containers	**260**	**21.7**	229	29.8	199	30.1	163	18.8	142	13.4
Resort Development	**16**	**(1.9)**	10	(15.3)	10	(17.5)	9	(34.9)	10	(7.2)
Adjustments and eliminations	**(24)**	**(6.0)**	(30)	(7.9)	(23)	(6.4)	(21)	(8.4)	(10)	(2.9)
Corporate items		**(31.7)**		(27.8)		(21.2)		(42.3)		(21.3)
Totals	**$1,601**	**$200.7**	$1,476	$190.6	$1,280	$156.5	$1,218	$140.7	$993	$122.5

Direct Selling includes Tupperware sales as follows: 1977—$509; 1976—$442; 1975—$382; 1974—$312; 1973—$232. For additional segment operating detail see page 24.

Letter to Stockholders

During 1977, Dart Industries achieved a number of its major objectives for the year, which were outlined at the Annual Meeting of Stockholders in May, and moved substantially forward on others. These achievements included the following:

1. Net earnings, earnings per share and sales reached record highs;
2. The program for correction or elimination of problem areas was advanced significantly, providing the base for an improved return on investment;
3. Studies defining the overall growth strategy of the Company as a whole and long-term growth plans for its divisions are underway;
4. A study of dividend policy was undertaken and although not completed, indicates your Company's current and anticipated ability to support an all-cash dividend at a substantially higher level than heretofore. Initial implementing steps were taken early in 1978;
5. The Company's organizational capabilities, including its depth of management, were strengthened with the infusion of new management talents and the realignment of responsibilities to better utilize the capabilities of present senior management.

Another Record Year

Net earnings, earnings per share and sales increased in 1977 for the seventh consecutive year. Net earnings and earnings per share were at record levels of $109.2 million and $4.46 respectively, compared with $101.6 million and $4.14 in 1976. Sales reached $1.6 billion, up from $1.5 billion in 1976.

The improved results came principally from an excellent increase in Tupperware division sales, a substantial gain in profitability from the plastics segment of the Chemical-Plastics Group and a significant reduction in the loss in resort operations.

These positives overcame sizable declines in chemical and glass container operations. Chemical operations were depressed by lower than expected prices in the polyolefins area and slow attainment of efficient production levels at the new polypropylene plant in Bayport, Texas. Glass container results were lowered by a combination of higher costs that could not be offset by price increases and a four-week industry-wide strike of mold makers.

Operations outside the United States contributed $42.3 million in after-tax earnings, 39 percent of the total, compared with $33.3 million, 33 percent of the total in 1976. Sales from these operations were $400 million compared with $364 million in 1976.

Losses on foreign currency translation in 1977 and 1976 were not material.

Business Reassessment

In line with management's policy of continually reassessing Dart Industries' businesses, the decision was made to close down or sell direct selling cosmetics operations in Australia and Mexico and to change the operating methods, including reductions in product lines and personnel and other streamlining actions, for the direct selling cosmetics divisions in Europe and for a consumer products operation. In addition, provision has been made for phasing out or selling certain chemical operations. Divisions involved in these actions accounted for net sales of $67 million in 1977.

Provision for the costs of these actions, which include writedowns of properties, goodwill and other assets as well as accruals for termination benefits and other costs, aggregated $11.7 million after related tax benefits, or approximately 51 cents per share. Such provision was charged to earnings in December 1977.

Cash Dividend Increased

Following a review of overall dividend policy, the Board of Directors at its meeting of January 30, 1978, raised the cash dividend 60 percent from 25 cents to 40 cents quarterly, or from an annual rate of $1.00 to $1.60 per share of Common Stock. This was the sixth consecutive year that the cash dividend was increased. At the same time, the decision was made to eliminate the three percent stock dividend.

The Board's intention to consider both increases in the cash dividend and possible stock dividends was announced at its February 1977 meeting. At that time, the Board also increased the cash dividend to 25 cents and declared a three percent stock dividend on the Common Stock.

The change to an all-cash dividend reflects the Board's and management's confidence in the future earnings growth of the Company. It is believed this growth will generate sufficient funds for identified needs and continued expansion of current businesses and the addition of attractive new investment opportunities as they arise, as well as payment of appropriate dividends.

Management believes the three percent stock dividend, which had been paid annually since 1959, had served its purpose of conserving cash to finance the growth of Company operations overall and particularly the expansion of the Tupperware division during the '60's and early '70's. The Company would not have been able to grow, relying principally on internal financing, without the stock dividend policy.

In view of the present and substantially higher base of earnings, your Company now can replace the Common Stock dividend with a higher cash dividend than it formerly paid without impeding continued growth.

Financial Condition

An important basis for the dividend action is the Company's exceptionally strong balance sheet. At year-end 1977, current ratio (current assets compared with current liabilities) was 2.9:1. Cash and marketable securities were $246 million and total assets increased to $1.4 billion. Common Stockholders' equity was $699 million, the equivalent of $30.20 per share of Common Stock. Debt was reduced to a ratio of 28 cents to $1.00 of equity.

Return on total capital, which has averaged 10.1 percent over the five-year period ending in 1977, was 11.0 percent at year-end 1977 and 10.9 percent in 1976.

Return on average Stockholders' equity was 13.6 percent in 1977 compared with 14.0 percent in 1976. Return on equity over the five years ending in 1977 averaged 12.7 percent.

Capital Expenditures

In 1977, capital expenditures totaled $94.6 million; $115 million has been budgeted for 1978.

These expenditures continue to be heavily weighted in those divisions that are providing returns on investment approaching, equalling or exceeding 15 percent after-tax.

Depreciation and amortization was $59 million in 1977, up from $52 million in 1976.

The investment tax credit in 1977 applied to reduce United States income taxes was $5.5 million. In 1976 this figure was $6.9 million. For 1978, the investment tax credit is currently expected to be $3.9 million.

Management Changes

A number of important actions were taken in 1977 to provide for an orderly transition and to further strengthen and increase the depth of Dart Industries' top management team in the areas of day-to-day operations and forward planning. All group operations continue to report to the Company president, as does the Corporate Staff.

Phillip D. Matthews, Executive Vice President, Finance and Administration.

In August, Phillip D. Matthews, 39, joined the Company as executive vice president, Finance and Administration, and chief financial officer, with responsibility for Corporate Staff administration. He also was elected to the Board of Directors. Mr. Matthews formerly was a senior vice president with Frito-Lay, Inc., a division of Pepsico, Inc. Previously, he had held a series of increasingly responsible financial and operating positions with Pepsico.

He succeeded Donald H. Brewer, 65, who retired from active employment on December 31, 1977, but continues as a member of the Board's Audit and Executive Committees. We are extremely fortunate to have Mr. Brewer's continued advice and participation as an outside director and as a member of two important committees of the Board.

Also in August, the merger of the Chemical and Plastics Groups was effected into one operating group, with John P. Del Favero, 49, as president. Mr. Del Favero has been with Dart Industries since April 1976, when he was appointed president of the Plastics Group. He was elected a vice president of the Company in May of that year and a member of the Board of Directors last August.

In order to strengthen Consumer Products marketing activities, F. William Graham, 40, became a vice president of the Company and president of the Consumer Products Group on December 1. Mr. Graham formerly was group vice president and general manager of the Fashion Group of companies of General Mills, Inc. While with that firm, he developed and implemented its expansion into a major new growth area, then supervised the companies he was instrumental in acquiring.

Ralph M. Knight, 62, former chairman of the Chemical Group, has joined the office of the Chairman of the Board, where he has a lead role in exploring and nurturing technological opportunities as part of Dart Industries' search for new growth areas. He also is providing technical advice on chemical operating matters and continues to serve as an executive vice president and a member of the Board of Directors.

Robert T. Beattie, 66, former president of the Consumer Products Group, also has joined the office of the Chairman and continues as an executive vice president and member of the Board of Directors. He is focusing his attention on acquisitions and divestitures, as well as the forward planning of the Company's various consumer-oriented businesses.

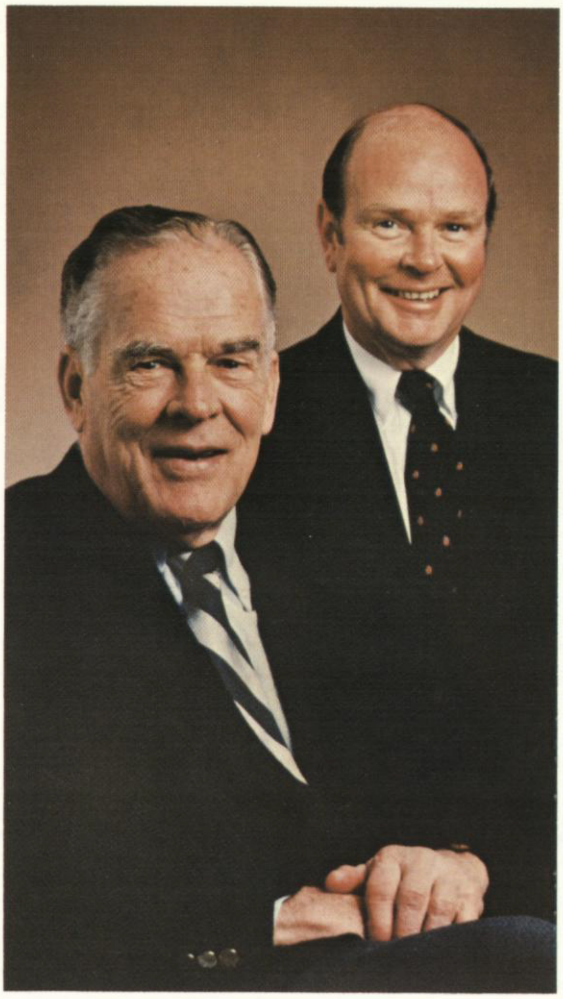
New Outside Directors

Dwayne O. Andreas, 59, was elected to the Board of Directors in November 1977. Mr. Andreas is chairman and chief executive of Archer-Daniels-Midland Company, of Decatur, Illinois, a firm that purchases, processes and markets agricultural crops and the resulting products. He also is a member of the Board of Directors of the National City Bank of Minneapolis, Lone Star Industries and White Motor Corporation, and is active in numerous civic and charitable organizations.

At the Board's January 1978 meeting, William E. Simon, 50, former Secretary of the Treasury, was elected a director. Mr. Simon, well known for his financial expertise, is presently senior consultant with Blyth Eastman Dillon & Co., Inc., an investment banking firm, and senior advisor at Booz Allen & Hamilton, Inc., a management consulting firm. He also is on the Board of Directors of Citibank and Citicorp, INA Corporation, and Xerox Corporation. An active supporter of public service and educational organizations, Mr. Simon serves as president of the John M. Olin Foundation, chairman of the National Energy Foundation and a trustee of Lafayette College and Georgetown University. In late 1973, Mr. Simon was named administrator of the Federal Energy Office and in 1974 was appointed the 63rd Secretary of the Treasury in the administration of President Ford.

Outlook for 1978

Our primary objective for 1978 is that Dart Industries achieve another record year, which would be its eighth consecutive year of improved earnings. Barring the unforeseen, we currently anticipate that it will.



Justin Dart, Chairman, left, Thomas P. Mullaney, President.

Justin Dart

JUSTIN DART
Chairman

Thomas P. Mullaney

THOMAS P. MULLANEY
President

February 27, 1978

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Operations Review

Direct Selling*

CONSUMER PRODUCTS

All ages enjoy preparing and serving food with the assistance of colorful *Tupperware* plastic containers and the multi-use *West Bend Slo-Cooker Plus* electric cooker. Other consumer products shown on opposite page include *Thermo-Serv* insulated serving ware; *Coppercraft Guild* serving accessories and jewelry; *Syroco Decorette* wall plaques; and *West Bend Silverstone* and stainless steel cookware, electric appliances and *Quik-Drip* coffeemaker. The table and counter top are *Wilson-art* decorated laminate in the Butcher Block pattern.

The Tupperware division in 1977 started its second quarter century by once again setting new sales records in North and South America, the Pacific and European areas.

All the indices important to the continued success of Tupperware were up from 1976 levels—retail sales, home parties held, attendance at these parties and sales per party. In addition, and keeping pace with the increased Tupperware division's sales from $442 million in 1976 to $509 million in 1977, were the continued growth to record highs in the size of its worldwide network of independent distributors, managers and dealers.

Operations outside the United States continued to contribute more than 50 percent of the total sales and earnings of the division. However, the United States market, the oldest of its operations, contributed a larger percentage increase over 1976 sales and earnings than did the total of operations outside the United States, once again demonstrating the ongoing growth potential for the Tupperware division.

The accomplishment of Tupperware Brazil has been particularly outstanding. Sales began in mid-1976 and growth has been so rapid that 25 new injection molding machines to manufacture *Tupperware* products had to be added to the original 10-machine plant near Rio de Janeiro starting in mid-1977. Prospects for continued growth are excellent, and accordingly, a second manufacturing plant has been purchased near Sao Paulo and is expected to be in production in 1978.

Other expansions during 1977 included the move to a larger plant in Venezuela and initiation of construction on a new, larger plant near Auckland, New Zealand. In Japan, a new 200,000 square-foot warehouse and distribution center was formally opened during the first quarter. Plans for a new production facility in Portugal have been presented to authorities in that country.

Production capacity was added during the year in Mexico, Greece and Canada. The growth prospects in Canada, indicated by an increase of 20 percent in the number of independent distributors serving that country, warranted the opening of new office facilities in Toronto and the preparation of plans for a second manufacturing plant to be located in Western Canada.

New Products

In each of the over 30 countries served by the division, an average of six new *Tupperware* products were introduced in 1977, adding to the interest and excitement of holding and attending parties. Development currently underway includes new *Tupperware* products for food preparation, serving and storing that will provide for product introductions into the 1980's, while long-

New *Tuppercraft* Planting System will be introduced at Tupperware home parties during 1978. The system includes a planter and well with an easy-view watering indicator, planting medium and decorative stones, liquid nutrient, and instructional brochure. This indoor planting system will be available in various sizes and colors. The large size is pictured below.

**Financial data for Miracle Maid and Coppercraft Guild are included in Direct Selling in the operating segment table on pages 2 and 24; operations of these two divisions are reported under Consumer Products.*

range market and technical research is involved in planning for 1985 and beyond.

Late in 1977, the beginning of a new series of non-food oriented, in-home use products, the *Tuppercraft* Planting System, was introduced to independent dealers, managers and distributors in the United States. Included is an attractive planter and well to hold the planting medium and water. The well has an easy-viewing indicator to show the proper water level. The reaction to this new line has been enthusiastic and it is expected to be introduced at Tupperware home parties in the United States during the first half of 1978.

New Markets

New countries for the division are under constant evaluation. The reception of *Tupperware* products in Brazil has encouraged the Company to enter Argentina and Chile. Plans are currently underway and in this connection land has been purchased in Argentina near Buenos Aires for construction of a manufacturing plant. In 1977 sales were initiated in Morocco. The division is in the process of entering Iran.

Vanda Beauty Counselor

A number of actions have been taken relating to the Vanda Beauty Counselor division in line with the Company's policy of correcting or eliminating divisions operating at a loss. Direct selling cosmetics operations in Italy were phased out during 1977, with losses associated with the closing provided for at year-end 1976.

As stated in the Letter to Stockholders, the decision was made to close down or sell Vanda Beauty Counselor operations in Australia and Mexico. These operations now have been sold. Also, provision was made to change the operating methods, including reductions of product lines and personnel and other streamlining actions, in European operations. Provision for the cost of these actions is reflected in 1977 earnings.

Of the remaining direct selling cosmetics operations, Canada and South Africa continued to operate profitably in 1977. Sales in the United States, potentially the largest single market for *Vanda Beauty Counselor* cosmetics and toiletries, were about the same as in 1976.

Consumer Products

Results for the Consumer Products Group were lower than 1976 levels because of charges to earnings relating to the decision to consolidate certain product lines and streamline operations within the Home Furnishings and Giftware division.

Housewares Division

West Bend is a leading, quality producer of aluminum and stainless steel cookware, small electric appliances and home humidifiers. Earnings in 1977 improved over 1976 and a number of *West Bend* brand products strengthened their market position. The division manufactured its two millionth humidifier since starting production of these products in 1965, and now is the largest humidifier manufacturer in the country.

In addition, the *West Bend Slo-Cooker Plus* electric cooker and the *West Bend* Wok, respectively introduced in 1976 and 1974, presently are the number one selling brands in their retail markets. The success of these products reflects consumer interest in preparing simple, low-cost meals at home.

West Bend's position as the number one pro-

West Bend introduced *Stir Crazy,* the electric corn popper with its own built-in stirring rod, in late 1977. The popper decreases popping time while increasing the volume of popped corn received from the same amount of kernels. It pops from two to six quarts at one time.

ducer of electric corn poppers was strengthened further in 1977 with introduction of the *Stir Crazy* popper. Other new products introduced in 1977 include an automatic egg cooker, a bag maker-sealer, and the *Slim Line* automatic grill.

The Specialty Steel division of West Bend, which supplies stainless steel cookware to independent direct selling distributors, realized a strong growth in sales and earnings.

*Miracle Maid,** a premium line of quality cookware that is sold directly to the consumer in the United States and Canada through demonstrations in the home, experienced customer price resistance to an improved product line introduced early in 1977. This factor, along with dealer inexperience in demonstrating the new line, resulted in decreased sales and earnings in 1977. Although the improved line is more expensive than the former *Miracle Maid* product line, its superior appearance and durability, plus ease of cleaning, are expected to result in improved sales in 1978.

The extensive realignment begun in 1976 of the Housewares division's manufacturing facilities to improve productivity has been completed and provides important cost-saving efficiencies, which should give West Bend a more competitive position in 1978.

Home Furnishings and Giftware Division

Coppercraft Guild,* which manufactures copper giftware and sells its products directly to the consumer, recorded an excellent increase in earnings. Improved recruiting of independent dealers, an upgraded product line and the record number of parties held were contributing factors.

Syroco had moderate gains in earnings and sales of decorative home accessories. The new *Decorette* line of wall decorations, designed for retail stores and mass merchandisers, has been well received. Gains also were recorded in sales to direct selling companies.

Thermo-Serv, a manufacturer of insulated serving accessories, and Nappe-Smith, manufacturer of insulated bags and specialty carrying cases, had higher earnings on sales that compared favorably with 1976. Plans are underway to combine Nappe-Smith and Babcock-Phillips, manufacturer of hassocks and casual furniture, in order to provide additional production capacity for Nappe-Smith and streamline the operations of both divisions.

**Financial data on Miracle Maid and Coppercraft Guild, whose products are sold directly in the home, are included in Direct Selling in the operating segment table on pages 2 and 24.*

DISCOUNT
ALMADEN
SWEDA
STYROCUP
NEW! Decorator DESIGNS
STYROWARE Deluxe PARTY TABLEWARE
Pampers
large grade AA eggs
FARM FRESH
BubbleYum
Wholesome · Delicious · Satisfying
Glad
LARGE
THICK TRASH BAGS
FAMILY PAK
BEEF
Lively

Chemical-Plastics

CHEMICALS, PLASTICS AND PACKAGING

Products shown on opposite page include packaging film made from *El Rexene* plastic resins; disposable diapers manufactured from embossed plastic film produced by Consolidated Thermoplastics; *Thatcher Glass* containers for food and beverages; tubes, closures and seals by Thatcher Plastic Packaging; *Colorite* garden hose; *Rexcel* dairy and delicatessen containers; and decorator designed *Styrocup* containers and deluxe tableware by Thompson Industries.

The combining of the former Chemical and Plastics Groups was effected in 1977, with the new group comprising over one-third of Company sales. Technical, marketing and economic benefits are expected to result from the combination. The divisions in the new group are related principally through their applications of chemical and plastics technology to diversified products and markets. Plastic raw materials and a variety of chemical and plastic-based specialties and other end products are manufactured and sold to industrial, consumer, construction, automotive and appliance markets.

CHEMICAL OPERATIONS

Chemical operations achieved record sales in 1977. However, lower operating earnings in the plastic raw materials sector, as well as provisions for selling or closing certain operations, resulted in substantially lower earnings than the prior year, despite improvements in both the Chemical Specialties and Environment and Services sectors.

Plastic Raw Materials Sector

The Plastic Raw Materials sector's earnings were lower than the year before because of the inability to fully pass on increased costs. In addition, performance was hampered by delayed attainment of efficient production levels at the new polypropylene plant* in Bayport, Texas. Prime product yield at the new plant improved during the year and operations neared design capacity of 150 million pounds annually by year-end.

Margin pressures were responsible for lower earnings from low-density polyethylene sales even though shipments were 90 percent of total capacity of 400 million pounds annually. The new low-density polyethylene plant* at Bayport is in start-up. When in full production it will add 150 million pounds per year to capacity and will enable the sector to keep pace with the anticipated long-range growth in market demand for this product.

Competitive pressures kept earnings at Consolidated Thermoplastics Company* essentially unchanged from 1976 despite increased sales of packaging film.

Styrenics operations reduced their losses from the prior year on the strength of higher sales of polystyrene and more favorable prices for acrylonitrile-butadiene-styrene (ABS). Current management projections are that for the next several years, this industry will continue to experience over-capacity in relation to demand.

Operations of the Southwest Latex division, manufacturer of styrene latices for carpet and paper applications, have been terminated.

Chemical Specialties Sector

The Chemical Specialties sector attained record sales and earnings with the improvement registered almost across the board.

Wilson Products, particularly in Europe, benefited from high sales of colorants to the wire and cable industry. The Synthetic Products division also showed a good increase in earnings on stronger sales of stearates and stabilizers used in the manufacture of plastic and rubber products.

The Catalyst division experienced strong growth during 1977 and began construction on a new perester plant at its Bayport location so the division can participate further in the rapidly growing market for these products, which are used in the manufacture of plastic resins.

Results for Fiberfil, a manufacturer of fiberglass-reinforced thermoplastics, were off from a year ago. Its automotive-application sales were affected principally by intensified competition, which kept price increases at a level insufficient to recover cost increases.

The Chemical Specialties sector is receiving special attention and emphasis in the Company's future growth plans because of the balance it can provide in relation to the more cyclical Plastic Raw Materials sector.

Environment and Services Sector

The Environment and Services sector, led by continuing excellent results of its Capital Controls division (chlorinators and water purification

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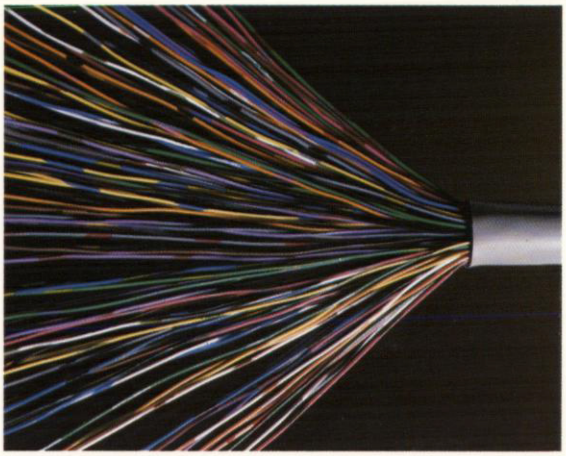
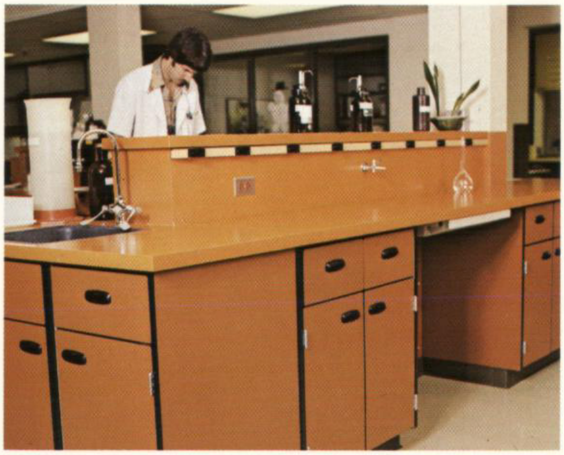
**Jointly owned with El Paso Products Company*





Wilson Products produces color concentrates used in the manufacture of plastic parts for automobiles, appliances and other products. One of the largest uses is in color coating of wire and cable such as telephone cable, shown above left, which contains more than 100 color-coded wires.

Chem-Surf decorative laminate and *Soli-Core* matching edging, manufactured by the Wilsonart division, have helped put an end to drab laboratories. The chemical and stain-resistant laminate and solid color edgings are available in 12 colors, including Tangerine shown above right in installation at Scottsdale Memorial Hospital, Scottsdale, Arizona.

control systems) and the receipt of orders for Fluid-Ionic Systems' wet electrostatic precipitators, showed good improvement in 1977 from depressed levels of the prior year.

Demand for Capital Controls' products has required an expansion of the division's existing production facilities at Colmar, Pennsylvania.

Fluid-Ionic Systems' *Hydro-Precipitrol* wet electrostatic precipitators, used to remove airborne pollutants in industrial plants, successfully completed product testing at a number of industrial locations in 1976 and early 1977.

The newly formed Fiberglass Equipment division, combining two of the divisions producing pollution control equipment and components, was negatively impacted by less than expected demand as well as the development costs for system components.

Development and Engineering Sector

In view of the increasing emphasis on strengthening the Company's technology base, construction began in 1977 on expanded research and development facilities in Paramus, New Jersey. The expanded facilities will support on-going and new process and product development programs for the combined Chemical-Plastics Group operations.

Programs conducted during 1977 assisted in improving cost effectiveness of manufacturing processes and reducing the group's energy consumption by approximately nine percent. Development and commercial scale testing was completed on a second generation catalyst used in the manufacture of polypropylene. Use of the new product provided more efficient and less costly conversion of propylene into polypropylene in initial plant-scale trials.

PLASTICS OPERATIONS

Plastics operations recorded a substantial earnings improvement in 1977 on a 13 percent sales increase. Equally important was the progress made in improving the return on investment of these operations and the sale or elimination of a number of marginal businesses. These latter actions included selling surgical instrument operations in Europe and a counter top manufacturing division in the United States and reorganizing the hospital disposable products operations in the United States along with several packaging operations in Europe.

Decorative Building Products Sector

The Decorative Building Products sector, producer of *Wilsonart* laminates for interior surfacing in homes and commercial buildings, recorded new highs in sales and earnings aided equally by its emphasis upon service to consumers and the continued strength of housing, remodeling and commercial construction markets.

The long-term outlook for the sector's products led to the decision to expand capacity. Construction will begin in 1978 on a second manufacturing plant for high pressure laminates to be located near Asheville, North Carolina. The plant is expected to start producing in 1979 to serve *Wilsonart* customers in the eastern United States more efficiently, and initially will add 20 percent capacity to the sector's existing facility at Temple, Texas.

Specialties Sector

The Specialties sector's results continued to improve substantially.

Colorite Plastics is now the largest producer of plastic garden hose in the United States and one of the largest compounders of non-toxic plastics used to manufacture food packaging and medical and hospital products.

The operations of divisions manufacturing tubing for ball point pens, sealing specialties, and a variety of other end products have experienced excellent growth in recent years. These operations have been combined to form a new division—Action Technology. The combining of these operations is expected to provide administrative efficiencies and expedite their entrance into new markets such as hose and tubing for medical applications and consumer products.

The Seamco sporting goods operation in its first full year at its new La Grange, Georgia, plant returned to profitable operations.

NEW! Decorator DESIGNS
STYROCUP
36 8.5oz. Cups (250 ml)
STYROWARE Deluxe PARTY TABLEWARE

Thompson Industries is introducing Decorator Designed *Styrocup* containers and Deluxe and Party Styroware utensils into retail outlets. The containers are available in three designs—swirly brown and tan, yellow and green sunflower, and yellow and orange fern—while the new tray-packed plastic utensils may be purchased in gold, orange and white.

Packaging Sector

Packaging operations, which include plastic bottles, tubes and closures, also showed improvement in 1977 despite the negative impact of a 10-week strike at Thatcher Plastic Packaging's Muscatine, Iowa, plant. Improvement in plastic bottle operations overseas from depressed 1976 levels was the primary contributor to the overall improvement in operations.

Styro Products Sector

Styro Products sector earnings were behind 1976 levels principally due to pricing pressures in plastic foam drinking cup markets in the United States.

Rexcel, aided by record sales and the success of its new process-print technology used in the manufacture of plastic dairy containers, achieved an excellent improvement over 1976 levels. The new technology, which Rexcel pioneered in the United States, makes it possible to print colored pictorial scenes on the exterior sidewalls of tapered plastic food containers.

While operations in Canada achieved satisfactory results in 1977, the decline in value of the Canadian dollar in relation to the U.S. dollar resulted in lower reported earnings.

Current indications are for margin improvement during 1978 for Thompson Industries' plastic foam drinking cups. The division is in an excellent position to further capitalize on its already strong mid-America market penetration through the addition in 1977 of a new plant in Higginsville, Missouri. In addition, the division has introduced a decorated plastic foam cup line into the retail market, which is expected to add to growth.

Health Care Sector

The Health Care sector, which showed favorable sales and earnings improvement in 1977, is expected to benefit further from extensive attention by new management in the development of business strategies, including emphasis on products for the growing hospital disposable products market.

Glass Containers

Thatcher Glass Manufacturing Company is the fourth largest United States producer of glass containers. The company operates six manufacturing plants, plus two mold-making facilities. Glass containers for beer account for the largest part of Thatcher's product mix, while containers for wine, liquor and food combined represent the next largest percentage. Containers for soft drinks are the smallest percentage.

While Thatcher's sales increased in 1977, earnings were down from the prior year. Severe weather conditions during the first quarter, rising costs that could not be passed on to customers through price increases, and a month-long strike of mold makers—which impacted operations in the third and fourth quarters—were the factors affecting earnings. The industry-wide strike reduced Company earnings by $4.5 million pre-tax, or nine cents per share. Thatcher's labor contracts now extend into 1980.

Capital expenditures for glass container operations, which have averaged $18 million annually over the past five years, have been principally for the purpose of keeping Thatcher's manufacturing plants thoroughly up-to-date, improving return on investment through greater production efficiency, and making incremental expansions in production capacity where market conditions warrant. In addition, provisions have been made for converting furnaces so they can use oil as well as natural gas for fuel, for installing pollution control equipment, and for modifying bottle-making machinery for the faster production of lighter weight containers.

As a result of the latter program, Thatcher now has the ability to produce lightweight beer containers at most of its plants. These containers weigh approximately seven percent less than conventional beer bottles and make it possible for bottlers to achieve faster filling speeds. Being able to produce the new containers at a majority of its plants is expected to help Thatcher achieve a larger share of the beer packaging market.

The activity of introducing and attempting to implement legislation designed to reduce litter continues at all levels of government. When such legislation appears discriminatory toward the packaging industry in general and glass containers in particular, Thatcher and other members of the glass container industry continue to oppose it. Thatcher believes that legislation such as the state of Washington broad-based tax on all products producing litter is far more desirable than legislation that singles out the packaging industry.

Dart Resorts

Dart Resorts had a 63 percent increase in sales in 1977, highlighted by outstanding sales at the Bear Valley Springs resort community, which is located in Southern California north of Los Angeles. Operating losses were very sharply reduced from 1976.

More than 1,000 homesite sales were recorded at Bear Valley Springs during 1977, over twice the number sold in 1976. Approximately 78 percent of the total inventory of 3,860 homesites in this project had been sold by year-end.

The 18-month ban on homesite sales at Tahoe Donner, the Company's other resort community, was lifted following an appeal by Dart Resorts and five days of public hearings. The ban had been issued by the California Department of Real Estate for the area north of Lake Tahoe—including Tahoe Donner—pending assurance of adequate sewage disposal facilities in the area. Sales of homesites were resumed late in December after obtaining the necessary state and federal public reports on the property. Approximately 1,900 homesites, 32 percent of the total inventory at Tahoe Donner, had been sold prior to the ban.

Building by property owners continued at a very brisk pace at both resort communities with over 100 new homes constructed during the year. There are now approximately 630 private-owner homes and over 200 condominiums completed at the two projects.

The year also saw the sale of remaining homesite inventories at the Alta Sierra, Prosser Lakeview Estates and Valley Hi resort developments in three separate transactions. The Company had only a minority interest in the first two projects.

Dart Industries Inc.

Companies, Products & Group Management

Direct Selling Group

Hamer F. Wilson, *Executive Vice President of the Company; Chairman of the Direct Selling Group.*

HEADQUARTERS: *Orlando, Florida*

TUPPERWARE DIVISION: *food preparation, storage and serving containers; toys*
VANDA BEAUTY COUNSELOR DIVISION: *cosmetics and toiletries*

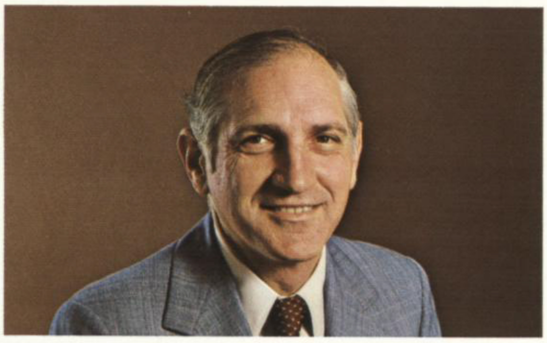
Consumer Products Group

F. William Graham, *Vice President of the Company; President of the Consumer Products Group.*

HEADQUARTERS: *Los Angeles, California*

BABCOCK-PHILLIPS: *furniture, cushions, pillows, hassocks*
COPPERCRAFT GUILD—COPPERCRAFT GUILD CANADA: *copper giftware, jewelry and decorative items*
NAPPE-SMITH COMPANY: *insulated bags, specialty carrying cases*
SYROCO-SYROCO CANADA: *home decorative accessories, casual furniture*
THERMO-SERV: *insulated and non-insulated serving ware*
THE WEST BEND COMPANY—WEST BEND OF CANADA: *cookware, electric housewares, humidifiers*

Chemical-Plastics Group



John P. Del Favero, *Vice President of the Company; President of the Chemical-Plastics Group.*

HEADQUARTERS: *Los Angeles, California*

CHEMICAL OPERATIONS

PLASTIC RAW MATERIALS SECTOR

CONSOLIDATED THERMOPLASTICS: *packaging film (jointly owned with El Paso Products Company)*
REXENE POLYOLEFINS COMPANY: *polyethylene, polypropylene and olefins (joint venture with El Paso Products Company, olefins by El Paso)*
REXENE STYRENICS: *polystyrene, ABS, oriented polystyrene sheeting*

CHEMICAL SPECIALTIES SECTOR

CATALYST DIVISION-AZTEC/PURECHEM: *organic peroxides and peresters, titanium trichloride*
ELECTROCHEMICALS: *chemicals for electroplating*
FIBERFIL: *fiberglass-reinforced and filled thermoplastics*
SYNTHETIC PRODUCTS: *metallic stearates, vinyl stabilizers*
WILSON PRODUCTS: *color concentrates and dispersions*

ENVIRONMENT AND SERVICES SECTOR

CAPITAL CONTROLS: *chlorinators and control systems for water purification and waste treatment*
ENVIRONMENTAL RESEARCH COMPANY: *air and water pollution control systems*
FIBERGLASS EQUIPMENT DIVISION: *Century fiberglass-reinforced plastic tanks, pipe, and air scrubbers; Heil pollution control and chemical processing equipment*
FLUID-IONIC SYSTEMS: *wet electrostatic precipitators for industrial air pollution control*
LANCY LABORATORIES: *waste treatment engineering and services*

DEVELOPMENT AND ENGINEERING SECTOR

Research and development, facilities construction

PLASTICS OPERATIONS

DECORATIVE BUILDING PRODUCTS SECTOR

WILSONART: *decorative laminates, laminated art*

PACKAGING SECTOR

THATCHER PLASTIC PACKAGING: *tubes, closures, seals*
IMCO COMPANIES (BELGIUM, HOLLAND, ENGLAND, SPAIN, AUSTRALIA): *plastic bottles*

STYRO PRODUCTS SECTOR

THOMPSON INDUSTRIES, REXCEL, CANADA CUP, INSULPAK, LTD., CAMIRA, N.V.: *plastic cups, food containers and dinnerware*

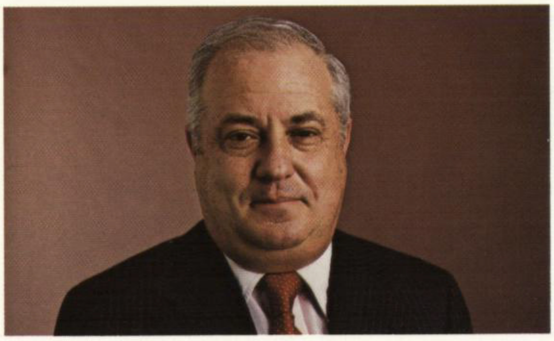
SPECIALTIES SECTOR

(1)ACTION PLASTICS: *extruded specialties*
AMERICAN GASKET AND RUBBER: *aerosol gaskets, rubber products*
ACTION PLASTICS AND RUBBER COMPANY (BELGIUM): *extruded specialties and aerosol gaskets*
COLORITE PLASTICS: *garden hose, compounding*
SEAMCO: *sporting goods and recreational products*

HEALTH CARE SECTOR

SEAMLESS HOSPITAL PRODUCTS: *medical and surgical products*

Glass Containers Group



WILLIAM H. GREENBERG, *Vice President of the Company; President of the Glass Containers Group.*

HEADQUARTERS: *Greenwich, Connecticut*

THATCHER GLASS: *convenience packaging*

Dart Resorts

SIDNEY M. KARSH, *President of Dart Resorts.*

HEADQUARTERS: *Los Angeles, California*

DART RESORTS: *marketing of resort community homesites*

(1) In January 1978, operations of Action Plastics, American Gasket and Rubber and Action Plastics and Rubber were combined into Action Technology and, along with Colorite Plastics, were made part of the Chemical Specialties sector. Financial data on these operations for 1977 and 1976 are included in the Plastics operating segment.

Financial Statements

Dart Industries Inc.
and Consolidated Subsidiaries

Years Ended December 31,
1977 and 1976

Summary of Accounting Policies

Basis of consolidation The consolidated financial statements include the accounts of Dart and its subsidiaries except for its wholly-owned insurance subsidiary, whose operations are not significant, and two less than 50% owned foreign corporations, all of which are accounted for on the equity method. Significant intercompany accounts and transactions are eliminated.

Dart is a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals, and is also a 50% owner of a plastics processing corporation with the same other party. The accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

Translation of foreign currencies Foreign subsidiary balance sheet accounts for inventories, prepaid expenses, deferred income taxes, properties, investments and other assets are translated into United States dollar equivalents at historical exchange rates; cash, receivables and all liability accounts are translated at yearend exchange rates. Income and expense accounts are translated at the average rate of exchange in effect during the year except for cost of goods sold, depreciation and amortization which are translated at historical rates. Exchange gains and losses are included in the determination of current year earnings.

Inventories Inventories are valued at the lower of cost or market. In general, cost as applied to inventory valuation represents purchase or manufacturing cost applied on the first-in, first-out method. Obsolete and damaged merchandise is excluded.

Properties and depreciation Expenditures for additions, improvements, replacements, betterments and major renewals are added to the properties accounts. Properties retired, or otherwise disposed of, are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts. Gains and losses from disposals are included in earnings. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred.

Depreciation of properties is provided chiefly on a straight line basis over the estimated average useful lives of the various assets. Lives used for calculating depreciation rates for the principal asset classifications are as follows: buildings and improvements—10 to 50 years; machinery and equipment—3 to 20 years.

Intangibles Intangibles having limited lives are amortized over their estimated useful lives. Certain intangibles acquired prior to October 31, 1970 are considered to have an unlimited life and are not being amortized.

Research and development Expenditures for research and development are charged to earnings as incurred.

Income taxes Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and tax income. Declining balance and guideline depreciation and the instalment method of income recognition generally are used in the determination of income for tax purposes where applicable.

Investment tax credits are applied to reduce federal income tax expense in the year the credit arises.

Dart and its domestic subsidiaries file a consolidated federal income tax return. Provision is made for United States income taxes on earnings of foreign subsidiaries except for those which are expected to be invested indefinitely.

Resort development Resort lot sales are accounted for on the instalment method until actual collection experience for a project indicates that collectibility of receivable balances is reasonably predictable, after which the accrual method will be used. Under the instalment method, the gross profit less direct selling expenses related to the portion of the sales price which is not received in cash is deferred at the time of sale and recognized as cash is collected. In the opinion of management, at December 31, 1977 none of Dart's projects qualifies for the accrual method.

Interest and property taxes relating to land held for sale or improvement are charged to earnings as incurred. Land and improvements are valued at the lower of cost or estimated net realizable value.

Dart Industries Inc. and Consolidated Subsidiaries

Statement of Earnings and Retained Earnings

For the years ended December 31, 1977 and 1976

	1977	1976
Income:		
Net sales	$1,600,988,000	$1,476,240,000
Other income	21,804,000	18,552,000
	1,622,792,000	1,494,792,000
Costs and Expenses:		
Cost of goods sold and operating expenses	951,062,000	876,401,000
Selling, distribution and administrative expenses	391,099,000	358,588,000
Depreciation and amortization	59,423,000	52,422,000
Interest expense	20,512,000	16,768,000
	1,422,096,000	1,304,179,000
Earnings Before Income Taxes	200,696,000	190,613,000
Provision for income taxes	91,500,000	89,000,000
Net Earnings	109,196,000	101,613,000
Retained earnings at beginning of year	444,617,000	386,013,000
	553,813,000	487,626,000
Dividends:		
Cash—		
Preferred—$2 per share	5,902,000	5,908,000
Common—$1.00 and $.66 per share	22,787,000	15,045,000
Common Stock, 3%, 673,500 shares at $31.50 per share paid in May 1977 and 653,500 shares at $33.75 per share paid in May 1976	21,214,000	22,056,000
	49,903,000	43,009,000
Retained Earnings at End of Year	$ 503,910,000	$ 444,617,000
Net Earnings Per Share of Common Stock:		
Primary	$4.46	$4.14
Fully diluted	$4.18	$3.88

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES.

Dart Industries Inc. and Consolidated Subsidiaries

Balance Sheet

December 31, 1977 and 1976

Assets	1977	1976
Current assets:		
Cash, including time deposits of $27,696,000 in 1977 and $18,428,000 in 1976	$ 63,033,000	$ 49,106,000
Marketable securities, at cost which approximates market	183,069,000	140,271,000
Total cash and marketable securities	246,102,000	189,377,000
Accounts and notes receivable, less allowance for doubtful accounts of $11,969,000 in 1977 and $12,495,000 in 1976	191,191,000	181,901,000
Inventories	310,262,000	296,240,000
Prepaid expenses	14,782,000	14,765,000
Deferred future income tax benefits	32,700,000	26,600,000
Total current assets	795,037,000	708,883,000
Resort development assets	53,657,000	57,144,000
Properties:		
Properties owned	832,003,000	770,463,000
Properties leased under capital leases	23,678,000	23,363,000
	855,681,000	793,826,000
Less accumulated depreciation	350,996,000	317,480,000
Total properties	504,685,000	476,346,000
Investments and other assets:		
3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures, at cost (market value: 1977—$41,080,000; 1976—$47,961,000)	35,162,000	35,162,000
Other assets, receivables and investments	40,270,000	34,499,000
Intangibles relating to businesses purchased, less amortization	11,425,000	14,445,000
Total investments and other assets	86,857,000	84,106,000
Total Assets	$1,440,236,000	$1,326,479,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES.

Liabilities and Stockholders' Equity	1977	1976
Current liabilities:		
Accounts payable	$ 73,378,000	$ 68,737,000
Accrued compensation	42,151,000	39,742,000
Other accrued expenses	97,455,000	77,987,000
Short term loans, foreign	13,471,000	16,350,000
Current instalments of obligations under capital leases	981,000	1,260,000
Current instalments of long term debt	8,450,000	6,407,000
Income taxes	38,600,000	32,800,000
Total current liabilities	274,486,000	243,283,000
Resort development liabilities	9,324,000	8,909,000
Obligations under capital leases, less current instalments	12,897,000	13,522,000
Long term debt, less current instalments	238,716,000	241,188,000
Deferred income taxes	58,800,000	54,500,000
Stockholders' equity:		
Preferred Stock, $5.00 par value Authorized, 3,000,000 shares Series A $2 Cumulative Convertible (aggregate liquidating preference in 1977—$149,050,000) Issued, 2,981,000 shares in 1977 and 2,986,000 shares in 1976	14,905,000	14,930,000
Common Stock, $1.25 par value Authorized, 35,000,000 shares Issued, 23,133,300 shares in 1977 and 22,438,800 shares in 1976	28,917,000	28,048,000
Capital in excess of par value	299,828,000	279,029,000
Retained earnings	503,910,000	444,617,000
	847,560,000	766,624,000
Less cost of reacquired shares of capital stock—Preferred—32,500; Common—700	1,547,000	1,547,000
Total stockholders' equity	846,013,000	765,077,000
Total Liabilities and Stockholders' Equity	$1,440,236,000	$1,326,479,000

Dart Industries Inc. and Consolidated Subsidiaries

Statement of Capital Stock

For the years ended December 31, 1977 and 1976

	1977		1976	
	SHARES ISSUED	AMOUNT	SHARES ISSUED	AMOUNT
Preferred Stock				
At Beginning of Year	**2,986,000**	**$14,930,000**	2,986,400	$14,932,000
Upon conversion into Common Stock	**(5,000)**	**(25,000)**	(400)	(2,000)
At End of Year, Including Reacquired Shares	**2,981,000**	**$14,905,000**	2,986,000	$14,930,000
Common Stock				
At Beginning of Year	**22,438,800**	**$28,048,000**	21,766,800	$27,209,000
For stock dividend	**673,500**	**842,000**	653,500	817,000
Upon exercise of options	**16,000**	**20,000**	18,100	22,000
Upon conversion of Preferred Stock	**5,000**	**7,000**	400	
At End of Year, Including Reacquired Shares	**23,133,300**	**$28,917,000**	22,438,800	$28,048,000

Statement of Capital in Excess of Par Value

For the years ended December 31, 1977 and 1976

	1977	1976
At Beginning of Year	**$279,029,000**	$257,169,000
Excess of fair value over par value of Common Stock issued as stock dividend	**20,373,000**	21,239,000
Excess of option prices over par value of Common Stock issued upon exercise of options	**408,000**	619,000
Upon conversion of Preferred Stock	**18,000**	2,000
At End of Year	**$299,828,000**	$279,029,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES.

Dart Industries Inc. and Consolidated Subsidiaries

Statement of Changes in Financial Position

For the years ended December 31, 1977 and 1976

	1977	1976
Working Capital Provided by:		
Net earnings	**$109,196,000**	$101,613,000
Items not affecting working capital—		
Depreciation and amortization	**59,423,000**	52,422,000
Deferred income taxes	**4,300,000**	5,100,000
Provided by operations	**172,919,000**	159,135,000
Increase in long term debt and capital lease obligations	**7,848,000**	35,530,000
Reduction of investment in resort development	**3,902,000**	12,010,000
Dispositions of properties, investments and other assets	**7,261,000**	13,246,000
Other	**3,676,000**	7,568,000
Total Working Capital Provided	**195,606,000**	227,489,000
Working Capital Used for:		
Properties acquired	**94,571,000**	120,604,000
Cash dividends paid—		
Preferred Stock	**5,902,000**	5,908,000
Common Stock	**22,787,000**	15,045,000
Decrease in long term debt and capital lease obligations	**10,945,000**	10,869,000
Other	**6,450,000**	3,540,000
Total Working Capital Used	**140,655,000**	155,966,000
Working Capital Increase	**$ 54,951,000**	$ 71,523,000
Changes in Components of Working Capital:		
Cash and marketable securities	**$ 56,725,000**	$ 32,573,000
Accounts and notes receivable	**9,290,000**	19,540,000
Inventories	**14,022,000**	36,424,000
Other current assets	**6,117,000**	11,108,000
Accounts payable	**(4,641,000)**	(10,336,000)
Accrued expenses	**(21,877,000)**	(9,456,000)
Short term loans, foreign	**2,879,000**	(7,198,000)
Income taxes	**(5,800,000)**	(1,400,000)
Other current liabilities	**(1,764,000)**	268,000
Working Capital Increase	**$ 54,951,000**	$ 71,523,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING POLICIES.

Notes to Financial Statements

Segment operating data

	NET SALES 1977	NET SALES 1976	OPERATING PROFIT 1977	OPERATING PROFIT 1976
Direct Selling	**$ 575,417,000**	$ 512,344,000	**$146,349,000**	$133,100,000
Consumer Products	**206,113,000**	244,275,000	**25,519,000**	27,837,000
Chemical and	**252,714,000**	232,312,000	**18,272,000**	33,783,000
Plastics	**315,298,000**	278,542,000	**28,522,000**	17,105,000
Glass Containers	**260,067,000**	228,886,000	**21,714,000**	29,808,000
Resort Development	**16,204,000**	9,956,000	**(1,869,000)**	(15,325,000)
Adjustments and eliminations	**(24,825,000)**	(30,075,000)	**(6,063,000)**	(7,915,000)
Corporate items			**(31,748,000)**	(27,780,000)
Consolidated	**$1,600,988,000**	$1,476,240,000	**$200,696,000**	$190,613,000

Geographic operating data

United States
Western Hemisphere (outside United States)
Europe and Africa
Pacific Area
Adjustments and eliminations
Corporate items
Consolidated

The various segments of Dart comprise principally the following products and services: **Direct Selling**—Tupperware brand plastic food preparation, storage and serving containers; Vanda Beauty Counselor cosmetics and toiletries; Miracle Maid cookware and Coppercraft Guild giftware; **Consumer Products**—West Bend electric housewares and cookware; Syroco home decorative accessories and giftware; **Chemical**—plastic raw materials, chemical specialties and environmental equipment and services; **Plastics**—decorative building products, styro and specialty products and packaging; **Glass Containers**—glass bottles for sale to brewers, distillers, soft-drink manufacturers and food processors; **Resort Development**—marketing of resort community homesites.

Net sales by segment and by geographic area include both sales to outsiders, as reported in Dart's statement of earnings, and sales from one segment to another or from one geographic area

IDENTIFIABLE ASSETS		CAPITAL EXPENDITURES		DEPRECIATION AND AMORTIZATION	
1977	1976	1977	1976	1977	1976
$ 389,150,000	$ 355,885,000	**$31,937,000**	$ 46,985,000	**$17,396,000**	$13,964,000
111,603,000	126,664,000	**4,129,000**	4,289,000	**4,553,000**	5,250,000
200,842,000	173,879,000	**23,570,000**	25,174,000	**9,471,000**	8,677,000
179,865,000	177,059,000	**11,460,000**	13,924,000	**9,273,000**	8,951,000
178,711,000	174,457,000	**18,192,000**	26,620,000	**17,791,000**	14,949,000
53,556,000	57,150,000	**20,000**	152,000	**185,000**	234,000
(4,556,000)	(3,966,000)				
331,065,000	265,351,000	**5,283,000**	3,612,000	**754,000**	397,000
$1,440,236,000	$1,326,479,000	**$94,591,000**	$120,756,000	**$59,423,000**	$52,422,000

NET SALES		OPERATING PROFIT		IDENTIFIABLE ASSETS	
1977	1976	1977	1976	1977	1976
$1,211,179,000	$1,122,148,000	**$144,368,000**	$139,687,000	**$ 835,406,000**	$ 815,516,000
96,434,000	85,302,000	**21,866,000**	14,372,000	**71,085,000**	53,333,000
225,650,000	208,072,000	**43,422,000**	42,179,000	**136,764,000**	135,111,000
82,342,000	75,087,000	**25,418,000**	24,767,000	**67,309,000**	58,542,000
(14,617,000)	(14,369,000)	**(2,630,000)**	(2,612,000)	**(1,393,000)**	(1,374,000)
		(31,748,000)	(27,780,000)	**331,065,000**	265,351,000
$1,600,988,000	$1,476,240,000	**$200,696,000**	$190,613,000	**$1,440,236,000**	$1,326,479,000

to another. Sales between segments and between geographic areas generally are recorded on the same basis as sales to outsiders. Sales between segments aggregated $24,825,000 in 1977 and $30,075,000 in 1976 with the major portion thereof representing sales from the Consumer Products and Chemical segments to the Direct Selling segment. Intercompany sales between geographic areas aggregated $14,617,000 in 1977 and $14,369,000 in 1976 with the major portion thereof representing sales from the United States to other areas. Export sales from the United States to outside customers are not significant.

Operating profit by segment and by geographic area represents revenues less operating expenses under the control of operating management. Corporate items include the cost of corporate staff functions, interest expense, foreign exchange gains and losses, and other expenses of the Company as a whole reduced by certain other income, mainly investment earnings.

Notes to Financial Statements (continued)

Details of Balance Sheet

	1977	1976
ACCOUNTS AND NOTES RECEIVABLE:		
Trade	**$189,656,000**	$178,878,000
Other	**13,504,000**	15,518,000
	203,160,000	194,396,000
Less allowance for doubtful accounts	**11,969,000**	12,495,000
	$191,191,000	$181,901,000
INVENTORIES:		
Raw materials and supplies	**$ 97,908,000**	$ 95,476,000
Work in process	**42,068,000**	33,320,000
Finished goods	**170,286,000**	167,444,000
	$310,262,000	$296,240,000
PROPERTIES, AT COST (excluding resort development assets):		
Land	**$ 16,802,000**	$ 16,253,000
Buildings and improvements	**229,373,000**	212,414,000
Machinery and equipment	**592,650,000**	539,135,000
Construction in progress	**16,856,000**	26,024,000
	855,681,000	793,826,000
Less accumulated depreciation	**350,996,000**	317,480,000
	$504,685,000	$476,346,000
LONG TERM DEBT, LESS CURRENT INSTALMENTS:		
7½% Sinking Fund Debentures, due April 1, 1996, $60,000,000, less unamortized discount	**$ 59,812,000**	$ 59,796,000
4¼% Subordinated Debentures, due July 15, 1997 (exchangeable for 10.75 shares of 3M Company common stock per $1,000 debenture)	**60,000,000**	60,000,000
4¾% Subordinated Debentures, due August 15, 1987 (exchangeable for 10.1 shares of 3M Company common stock per $1,000 debenture)	**20,000,000**	20,000,000
Unsecured notes—		
4.042% to 5.75%, due in annual instalments to 1987	**33,433,000**	38,557,000
9⅞%, due in annual instalments from 1978 to 1995	**47,200,000**	50,000,000
Other	**18,271,000**	12,835,000
	$238,716,000	$241,188,000

Business combinations and dispositions

In 1977 and 1976, Dart acquired certain businesses for cash and accounted for such acquisitions as purchases. The operating results of these businesses have been included in Dart's financial statements from the dates of acquisition and were not significant.

In January 1977, Dart sold its United States Rexall Drug Company operations for approximately $16,000,000 in cash. The impact of this sale, after provisions made in years prior to 1976 and related tax benefits, was not material to net earnings. Rexall had net sales of $45,000,000 in 1976 and nominal pre-tax operating earnings.

In December 1977, the decision was made to close down or sell direct selling cosmetics operations in Australia and Mexico and to change the operating methods, including reductions in product lines and personnel and other streamlining actions, for the direct selling cosmetics divisions in Europe and for a consumer products operation. In addition, provision has been made for phasing out or selling certain chemical operations. Provision for the costs of these actions, which include writedowns of properties, goodwill and other assets as well as accruals for termination benefits and other costs, aggregates $11,733,000 after related tax benefits, which approximates 51 cents per share. Divisions involved in these actions accounted for net sales of $67,000,000 and $70,000,000, in 1977 and 1976, respectively, with pre-tax operating losses which were not material in either year. Decisions were made in 1977 and 1976 to sell or otherwise terminate certain other businesses; their operations were not significant.

International operations

A summary of accounts relating to foreign subsidiaries at December 31 (excluding intercompany accounts) follows:

	1977	1976
ASSETS:		
Current assets	**$199,885,000**	$171,103,000
Properties	**114,520,000**	101,445,000
Investments and other assets	**11,501,000**	6,990,000
Total assets	**325,906,000**	279,538,000
LIABILITIES:		
Current liabilities	**91,540,000**	85,892,000
Long term debt and deferred income taxes	**29,050,000**	21,500,000
Total liabilities	**120,590,000**	107,392,000
Net assets of foreign subsidiaries in consolidation	**$205,316,000**	$172,146,000

Net sales from operations outside the United States were $399,786,000 in 1977 and $364,090,000 in 1976. Exchange losses were not material in either year. Undistributed earnings of foreign subsidiaries included in consolidation were $27,667,000 for 1977 and $9,522,000 for 1976 and aggregated $133,674,000 at December 31, 1977. Dart has not considered it necessary to provide for deferred United States income taxes in excess of available foreign tax credits on this total because it has been or is expected to be reinvested outside the United States for an indefinite period of time. Dividends of $14,636,000 in 1977 and $23,817,000 in 1976 were received from foreign subsidiaries.

Resort development operations

A summary of accounts relating to resort development operations at December 31 (excluding intercompany accounts) follows:

	1977	1976
ASSETS:		
Cash, prepaid expenses, etc.	**$ 2,260,000**	$ 791,000
Notes receivable, 6% to 9%	**29,950,000**	27,480,000
Deferred profit on land sales	**(10,606,000)**	(9,327,000)
Land and improvements	**28,568,000**	33,706,000
Properties and other assets	**3,485,000**	4,494,000
Total assets	**$53,657,000**	$57,144,000
LIABILITIES:		
Accounts payable, accrued costs and expenses, etc.	**$ 9,324,000**	$ 8,909,000
Total liabilities	**$ 9,324,000**	$ 8,909,000

Principal collections on notes receivable are due in the five years subsequent to December 31, 1977 as follows: 1978—$3,801,000; 1979—$3,882,000; 1980—$4,011,000; 1981—$2,997,000; 1982—$1,892,000.

Total estimated costs to complete improvements relating to active projects, based on management estimates and engineering studies, amount to $5,000,000 and anticipated expenditures relating to such improvements are expected to be incurred as follows: 1978—$2,200,000; 1979—$1,200,000; after 1979—$1,600,000.

"Cost of goods sold and operating expenses" includes deferred profit on resort lot sales of $4,811,000 for 1977 and $2,255,000 for 1976. Profit, previously deferred, taken into earnings aggregated $2,616,000 for 1977 and $1,899,000 for 1976.

Income taxes

Income taxes charged to earnings consist of the following:

	1977	1976
PAYABLE CURRENTLY:		
Federal	**$50,100,000**	$52,900,000
Foreign	**35,200,000**	31,000,000
State	**8,000,000**	7,600,000
	93,300,000	91,500,000
TAX EFFECT OF TIMING DIFFERENCES:		
Federal	**200,000**	(5,100,000)
Foreign	**(2,100,000)**	2,600,000
State	**100,000**	
	(1,800,000)	(2,500,000)
Provision for income taxes	**$91,500,000**	$89,000,000

The tax effect of timing differences, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, is as follows:

	1977	1976
Depreciation	**$ 3,900,000**	$ 9,560,000
Instalment sales	**(1,600,000)**	(2,340,000)
Accrued taxes and other expenses not deductible until paid	**200,000**	(6,600,000)
Provision for elimination, change or sale of certain operations	**(4,300,000)**	(3,120,000)
Tax effect of timing differences	**$ (1,800,000)**	$ (2,500,000)

Income taxes charged to earnings differ from an amount computed using the United States federal income tax rate of 48%. A reconciliation between an amount computed using the 48% rate and the provision for income taxes is as follows:

	1977	1976
Amount computed using the 48% rate	**$96,300,000**	$91,500,000
Increases (reductions) in taxes result from:		
State income taxes	**4,200,000**	4,000,000
Foreign income taxes	**(3,700,000)**	1,500,000
Investment tax credit	**(5,500,000)**	(6,900,000)
Other	**200,000**	(1,100,000)
Provision for income taxes	**$91,500,000**	$89,000,000

Short term loans and borrowing arrangements

Short term loans, foreign, are unsecured and aggregated a maximum of $23,636,000 and $19,318,000 at any monthend in 1977 and 1976, respectively. Weighted average borrowings and interest rates during the year, based on amounts outstanding at each monthend, were $19,559,000 and 11.1% in 1977 and $11,723,000 and 11.3% in 1976.

At December 31, 1977 and 1976, the weighted average interest rates were 11.0% and 11.8%, respectively.

Unused lines of short term credit, primarily with United States banks, totaled $44,200,000 at December 31, 1977 and provide for unsecured ninety day loans generally at the banks' prime rates. Compensating balance requirements under these credit lines are not material.

Long term debt

Total principal payments due on long term debt in the five years subsequent to December 31, 1977 are as follows: 1978—$8,450,000; 1979—$8,605,000; 1980—$8,400,000; 1981—$8,404,000; 1982—$12,061,000.

The 7½% Debentures are due April 1, 1996. Through the operation of a mandatory sinking fund, Dart is obligated to redeem $4,000,000 aggregate principal amount of these Debentures on April 1 in each of the years 1982 through 1995. Dart has the option to redeem through the sinking fund an additional $4,000,000 aggregate principal amount in each such year. All sinking fund redemptions, mandatory or optional, are to be made at 100% of the principal amount of the debentures redeemed. Debentures acquired or redeemed otherwise than through the operation of the sinking fund may be credited against the sinking fund requirements.

Under loan agreements with certain insurance companies, approximately $300,000,000 of the consolidated retained earnings at December 31, 1977 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

Stock options

1,256,800 shares of Dart Common Stock are reserved for options granted or available for grant to officers and employees under stockholder approved stock option plans. Options for 1,364,200 shares were exercised prior to 1977.

Under the plans, the option purchase price for all options granted is 100% of the fair market value of the shares on the date of grant. Options granted are exercisable in instalments after one year and before the end of five years or ten years depending on the nature of the option. Proceeds received from exercise of options are credited to the capital accounts. No options were granted in 1977.

A summary of changes during 1977 follows:

	OPTIONS OUTSTANDING		
	SHARES	PRICE RANGE	AMOUNT
At beginning of year	643,400	$21.21 to $48.85	$23,790,000
Adjustment for stock dividend	17,900		
Options exercised	(16,000)	$21.21 to $33.61	(428,000)
Options canceled	(68,100)	$30.65 to $48.85	(2,703,000)
At end of year	577,200	$21.21 to $46.69	$20,659,000

At December 31, 1977, options for 499,600 shares of Common Stock were exercisable at prices ranging from $21.21 to $46.69 and 679,600 shares were available for grant.

Preferred Stock

Holders of the Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary liquidation, dissolution or winding up, to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder into Common Stock on a share for share basis adjusted for stock dividends in excess of 3% in any one year or for recapitalization. The Preferred Stock may be called for redemption at $55 per share plus accrued unpaid dividends.

Retirement plans

Dart and certain of its United States subsidiaries continued the contributory profit sharing retirement plan, established in 1955, and the non-contributory pension plan, established in 1975, which together constitute the principal retirement program covering all employees who have one or more years of employment with Dart, and who are not covered by a collective bargaining agreement or by another Company-sponsored retirement plan. Dart and its subsidiaries also have several pension plans covering substantially all of their employees not covered by the principal retirement program, including certain employees in foreign countries.

The contribution to be made under the Dart profit sharing plan amounted to $8,114,000 for 1977 and was $8,243,000 for 1976. The total pension expense was $11,619,000 for 1977 and $10,216,000 for 1976 which includes, as applicable, amortization of prior service cost principally over a period of 30 years.

The aggregate Dart contribution to the profit sharing plan in any year is based upon consolidated earnings before federal income taxes, as defined, is limited to 6% of such earnings and cannot exceed the amount deductible for federal income tax purposes. The computations include net earnings of certain divisions whose employees do not participate in the Dart plan, but who participate in previously existing retirement plans which have been continued in effect.

With respect to pension plans, Dart's policy is, generally, to contribute pension cost accrued. The actuarially computed value of vested benefits for all plans exceeded, as of December 31, 1977, the total of pension fund assets and accruals by about $26,800,000. The total estimated unfunded prior service cost relative to all pension plans in effect was approximately $55,700,000 at December 31, 1977.

Incentive compensation

Under the formula incorporated in Dart's 1962 stockholder approved Incentive Compensation Plan for principal officers and key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 102 principal officers and key employees $2,531,000 ($1,956,000 for 1976) of the total of $8,403,000 available for 1977. No outside director participates in this plan.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Dart. No principal officer or director participates in these plans. The above named committees awarded $6,268,000 ($6,509,000 for 1976) to 427 persons in these categories. The total amount available under the plans was $12,652,000.

Amounts available but not awarded under such plans are not available for future awards.

Capital expenditures

It is estimated that capital expenditures for 1978 will be about $115,000,000.

Earnings per share of Common Stock

Primary earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options. Such increased average shares were 23,160,200 for 1977 and 23,124,500 for 1976. Net earnings attributable to Common Stock are after deducting Preferred dividend requirements.

Fully diluted earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock and assumption of exercise of all dilutive stock options. Such increased average shares were 26,126,700 for 1977 and 26,167,900 for 1976.

All per share amounts give retroactive effect to stock dividends paid.

Supplementary earnings statement information

Charges to costs and expenses for the years ended December 31 include the following:

	1977	1976
Maintenance and repairs	**$51,091,000**	$44,120,000
Taxes, except income taxes:		
Payroll	**26,606,000**	24,240,000
Property, business and other	**11,803,000**	11,727,000
Advertising	**10,298,000**	10,922,000
Research and development	**9,347,000**	7,239,000

Unaudited general description of the impact of inflation

Dart's diverse lines of business have generally experienced inflationary pressures on production and other costs to varying degrees based upon changes in price levels of the basic raw materials and other goods and services used by each business in its operations. The magnitude of the changes fluctuates from business to business and within businesses by geographic area. The ability of each business to compensate for increases in the prices of specific goods and services by increasing sales prices is affected by competitive conditions in the markets in which the businesses operate. The diversity of Dart's businesses has tended to minimize overall any adverse effects on earnings from uncompensated inflation in any one of its operations.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a greater capital investment than was required to purchase the assets being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

Dart's annual report on Form 10-K (a copy of which is available upon request) contains specific information with respect to yearend 1977 and 1976 estimated replacement cost of inventories and productive capacity and the approximate effect which estimated replacement cost would have had on the computation of cost of goods sold and depreciation expense for each year.

Unaudited interim financial information

	1977			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$369,916,000	$412,834,000	$393,401,000	$424,837,000
Cost of goods sold and operating expenses	220,877,000	240,441,000	247,690,000	242,054,000
Earnings before taxes	43,871,000	63,712,000	41,804,000	51,309,000
Net earnings	23,171,000	33,912,000	24,404,000	27,709,000
Earnings per share of Common Stock:				
Primary	.94	1.40	.99	1.13
Fully diluted	.89	1.29	.94	1.06

	1976			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$358,884,000	$370,905,000	$362,453,000	$383,998,000
Cost of goods sold and operating expenses	209,574,000	214,564,000	220,998,000	231,265,000
Earnings before taxes	52,324,000	52,698,000	39,499,000	46,092,000
Net earnings	27,674,000	26,798,000	21,799,000	25,342,000
Earnings per share of Common Stock:				
Primary	1.13	1.10	.88	1.03
Fully diluted	1.06	1.02	.83	.97

Obligations under capital leases

Dart has recorded as assets certain properties and property rights acquired by the Company under capital leases. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

The current and long term portions of obligations under capital leases aggregating $13,878,000 represent future minimum lease payments under capital leases reduced to present value by deducting $12,753,000 as the amount representing interest. Future minimum lease payments, including amounts representing interest, are payable as follows: 1978—$1,875,000; 1979—$1,880,000; 1980—$1,844,000; 1981—$1,810,000; 1982—$1,789,000; after 1982—$17,433,000.

Commitments and contingencies

Dart leases real estate, transportation equipment and other machinery and equipment under short and long term, cancelable and noncancelable lease agreements which generally provide for fixed monthly payments over the terms of the leases. Many leases require additional payments for property taxes, insurance and maintenance.

Rental expense (reduced by sublease income of $2,797,000 in 1977 and $2,612,000 in 1976) totaled $31,935,000 in 1977 and $30,632,000 in 1976.

Minimum rental commitments under noncancelable leases in effect at December 31, 1977, are payable as follows: 1978—$28,149,000; 1979—$16,201,000; 1980—$9,488,000; 1981—$6,955,000; 1982—$5,320,000; after 1982—$15,921,000. Future sublease rentals receivable total $7,241,000.

Dart is a defendant in certain purported class action suits, in which substantial damages are claimed, involving its Tahoe Donner resort development project and its former Rexall Drug operations. In addition, certain other law suits have been filed against Dart relative to its present and former operations. In the opinion of management and legal counsel, the ultimate disposition of the suits would not have a materially adverse effect on Dart's financial position or results of operations.

Report of Independent Accountants

Price Waterhouse & Co.

606 South Olive Street
Los Angeles 90014

February 26, 1978

To the Board of Directors and
Stockholders of Dart Industries Inc.

In our opinion, the accompanying consolidated financial statements on pages 18 to 32 present fairly the financial position of Dart Industries Inc. and consolidated subsidiaries at December 31, 1977 and 1976, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Dart Industries Inc. and Consolidated Subsidiaries

Management's Discussion and Analysis

Dart Industries' net sales and net earnings have increased in each of the past five years. Certain trends during the recent past are discussed below.

1977 Compared with 1976

Net sales in 1977 increased $125 million (8%) compared with 1976. All operating segments, except Consumer Products, realized sales gains with Direct Selling accounting for approximately half of the total increase. Consumer Products sales in 1976 included $45 million from the United States Rexall Drug Company operations which were sold in January 1977. Net sales from operations outside the United States were $400 million, an increase of $36 million (10%) over 1976 and accounted for 25% of total 1977 net sales.

Cost of goods sold and operating expenses increased $75 million (9%) compared with 1976. Margins in the Chemical and Glass Containers segments were depressed by the inability to increase prices sufficiently to compensate for higher raw material, labor and operating costs and, in Glass Containers, by a four-week industry-wide strike of mold makers. Improved margins in the remaining segments offset these declines with the result that the relationship of cost of goods sold and operating expenses to net sales remained constant at 59% in both years.

Depreciation and amortization increased $7 million (13%) compared with 1976 and results from continuing plant expansions.

Interest expense increased $4 million (22%) compared with 1976 as a result of $25 million of long term borrowing in December 1976 and higher levels of foreign short term loans.

Provision for income taxes increased $3 million (3%) compared with 1976 as a result of increased earnings. The effective tax rate declined from 47% to 46%, principally as a result of lower effective foreign tax rates.

1976 Compared with 1975

Net sales in 1976 increased $196 million (15%) over the 1975 level. Sales improvements were most significant in the Direct Selling, Chemical and Plastics lines of business where combined volume increases exceeded $120 million. The remaining portion of the sales increase was generally attributed to increases in selling prices throughout all lines of business. Net sales from operations outside the United States were $364 million, an increase of $24 million (7%) over 1975, and accounted for 25% of total 1976 net sales.

Cost of goods sold and operating expenses increased $89 million (11%) over the 1975 level and was a lesser percentage of net sales in 1976 (59%) than in 1975 (62%). Increased sales volume and sales prices more than offset increased costs of raw materials, labor and overhead except in the Chemical line of business which came under increased pressure on margins.

Depreciation and amortization increased $6 million (13%) over 1975 as a result of large expenditures on properties in the past two years.

Interest expense increased $2 million (16%) over 1975 principally as a result of $25 million of long term borrowing in December 1975.

Provision for income taxes increased $12 million (15%) over 1975 reflecting the improvement in earnings, while the effective tax rate declined from 50% to 47%, principally as a result of investment tax credits aggregating $7 million in 1976.

Dart Industries Inc. and Consolidated Subsidiaries

Five Year Summary of Operations

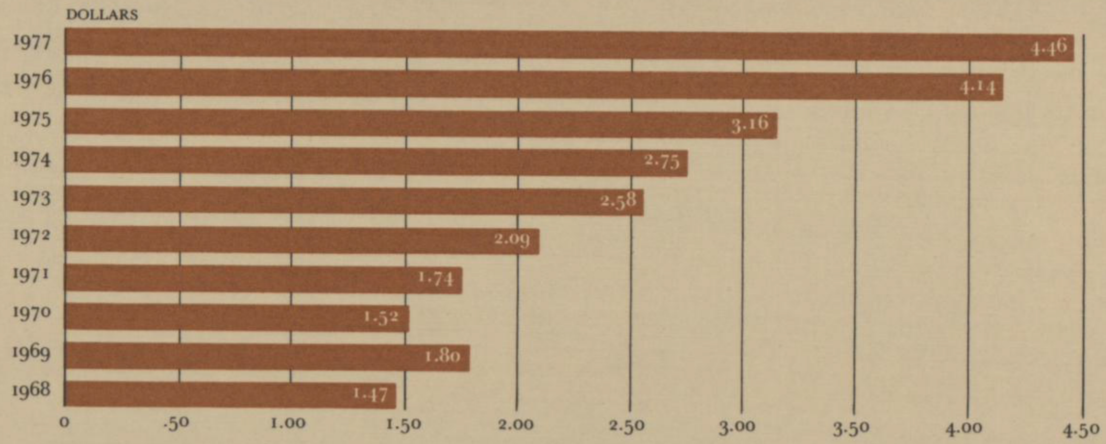
(Dollar amounts in thousands except per share data)	1977	1976	1975	1974	1973
For the Year					
Net sales	$1,600,988	$1,476,240	$1,280,407	$1,218,042	$ 993,322
Cost of goods sold and operating expenses	951,062	876,401	787,474	724,204	600,878
Depreciation and amortization	59,423	52,422	46,228	44,105	38,703
Interest expense	20,512	16,768	14,484	14,648	13,915
Earnings before taxes	200,696	190,613	156,488	140,690	122,522
Provision for income taxes	91,500	89,000	77,500	71,393	57,600
Net earnings	109,196	101,613	78,988	69,297	64,922
Earnings per share of Common Stock					
Primary	4.46	4.14	3.16	2.75	2.58
Fully diluted	4.18	3.88	3.01	2.63	2.47
Cash dividends per share of Common Stock	1.00	.66	.57	.42	.29
Cash dividends paid					
Common Stock	22,787	15,045	13,041	9,334	6,538
Preferred Stock	5,902	5,908	5,910	5,913	5,913
Common Stock dividends	3%	3%	3%	3%	3%
Net earnings applicable to Common Stock after Preferred dividend requirements	103,294	95,705	73,078	63,384	59,009
Properties acquired	94,571	120,604	93,351	70,730	67,176
At Yearend					
Current assets	$ 795,037	$ 708,883	$ 609,238	$ 556,309	$ 417,311
Current liabilities	274,486	243,283	215,161	215,036	171,529
Working capital	520,551	465,600	394,077	341,273	245,782
Properties (net)	504,685	476,346	414,719	370,039	342,319
Total assets	1,440,236	1,326,479	1,190,687	1,114,858	1,035,722
Long term debt	238,716	241,188	214,133	193,380	197,878
Deferred income taxes	58,800	54,500	49,400	51,900	54,400
Stockholders' equity	846,013	765,077	683,776	623,738	568,560
Shares of stock outstanding					
Common	23,132,600	23,111,200	23,091,700	23,088,600	22,890,300
Preferred	2,948,500	2,953,500	2,953,900	2,956,300	2,956,400
Stockholders					
Common	28,789	30,231	31,141	32,088	32,110
Preferred	5,204	5,696	5,929	6,028	5,476
Employees	31,201	29,801	28,612	29,566	28,483

The shares of Common Stock outstanding, cash dividends per share and earnings per share for 1976 and prior years have been adjusted retroactively to give effect to subsequent stock dividends.

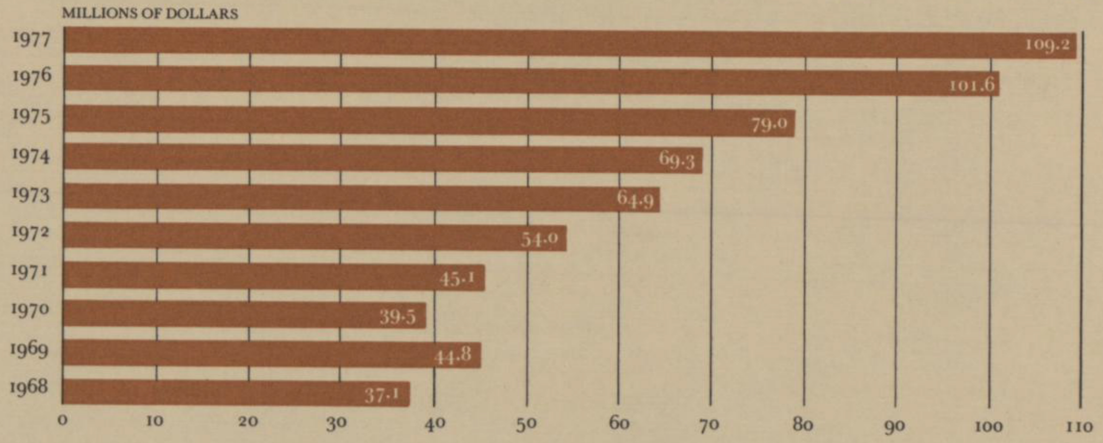
Dart Industries Inc. and Consolidated Subsidiaries

Ten Years at a Glance

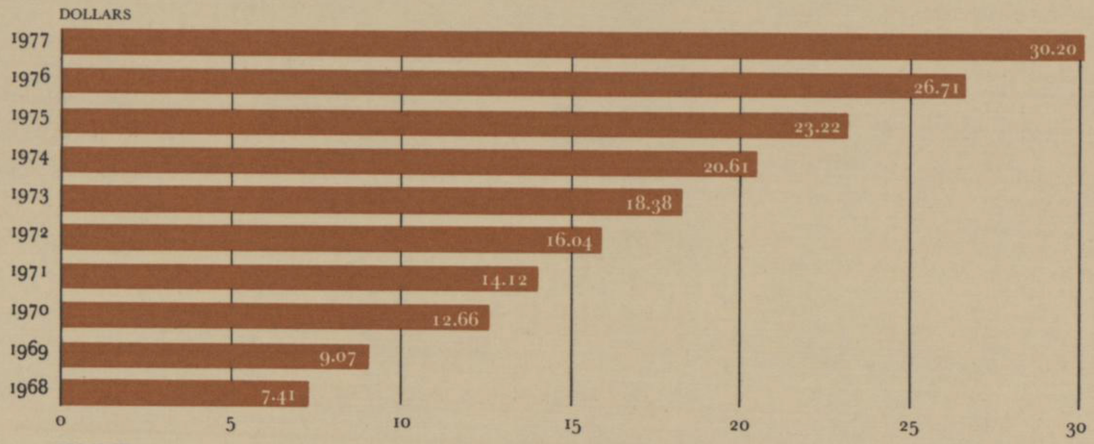
Earnings Per Share[1][2]



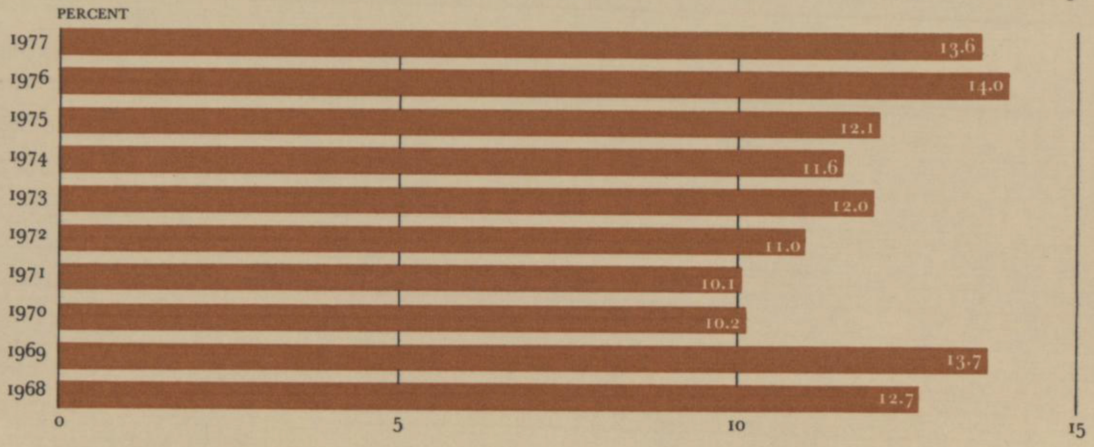
Total Net Earnings[2]



Book Value Per Common Share[1]



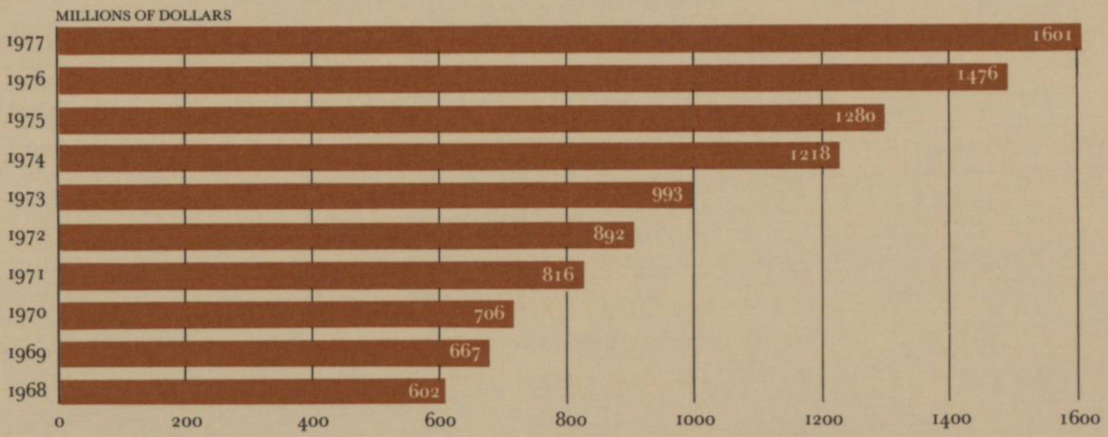
After-Tax Return on Average Stockholders' Equity[2]



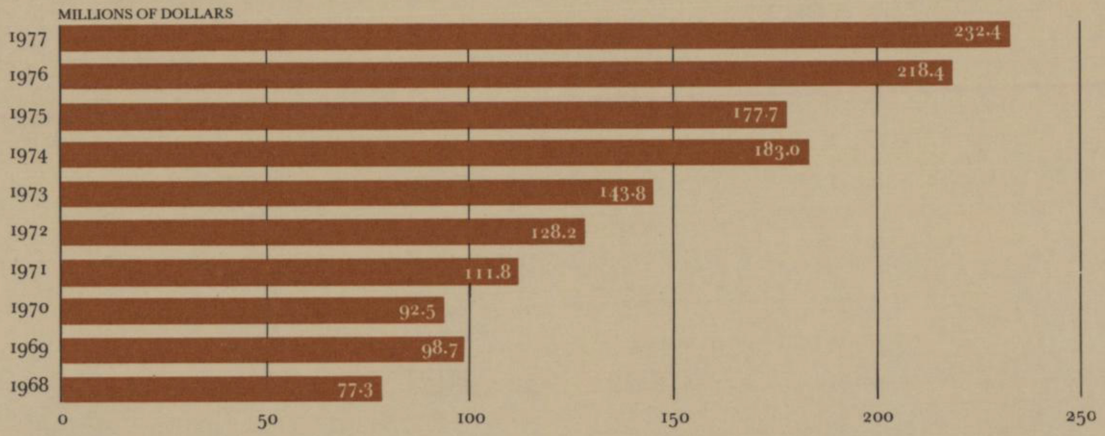
1. Years prior to 1977 restated for 3% stock dividend paid May, 1977.

2. Does not include extraordinary gains.

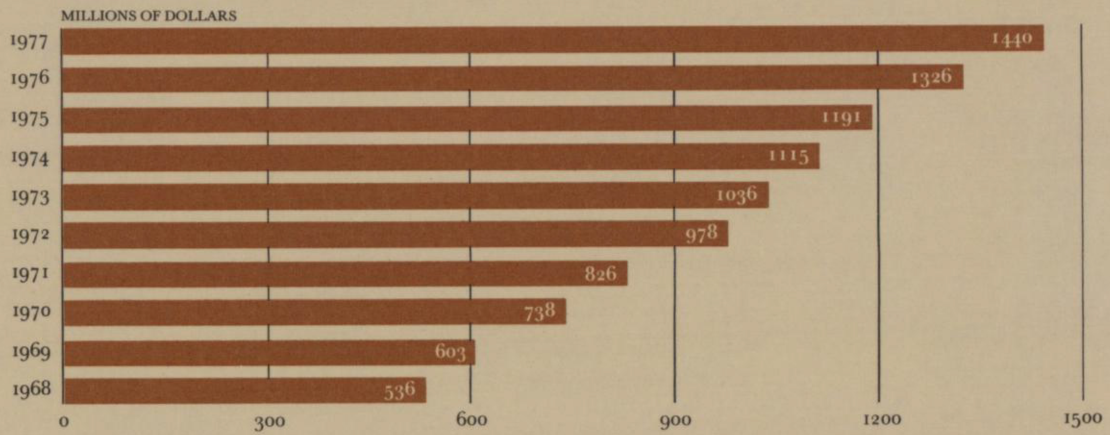
Total Net Sales



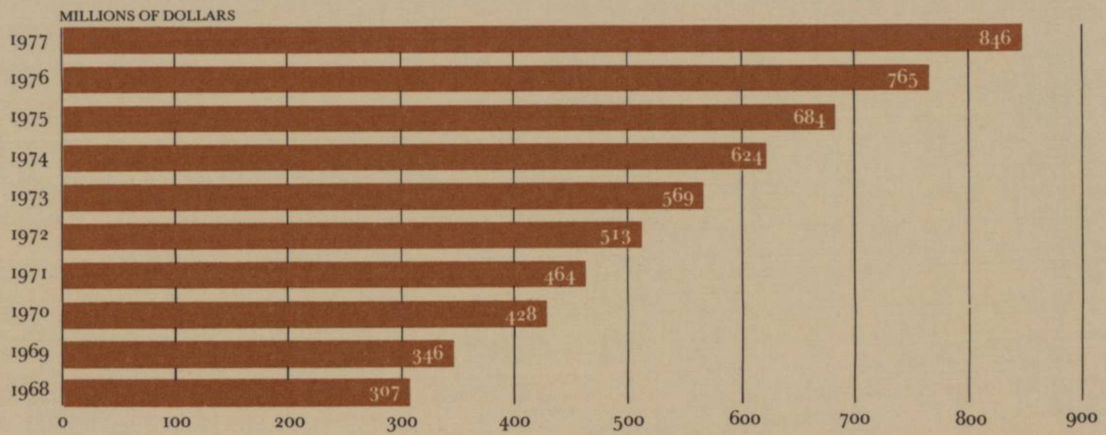
Pre-Tax Operating Earnings[1]



Total Assets



Stockholders' Equity



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[1] *Before Corporate charges.*

Board of Directors

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***Curtis Barkes,** Retired Director and Chairman of the Finance and Audit Committee, UAL, Inc.

Robert T. Beattie, Executive Vice President

Russell K. Bolton, Vice President and General Counsel

‡***Donald H. Brewer,** Retired Executive Vice President of the Company; Retired Vice Chairman of the Board of Directors

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Ralph M. Knight, Executive Vice President

Phillip D. Matthews, Executive Vice President, Finance and Administration, and Chief Financial Officer

Thomas P. Mullaney, President and Chief Operating Officer

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***Stanley M. Rumbough, Jr.,** Investments and business development; Director of International Flavors and Fragrances, Inc., and other Corporations

†***William E. Simon,** Senior Consultant, Blyth Eastman Dillon & Co., Inc., and Senior Advisor, Booz Allen & Hamilton, Inc.; Director of Citibank and Citicorp, INA Corporation, and Xerox Corporation

***Jacob W. Stutzman, M.D.,** President of Riker Laboratories, Inc., ethical drug manufacturer and a subsidiary of 3M Company

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Ralph Wilson, Jr., D.D.S., President of Decorative Building Products sector, Chemical-Plastics Group

***R. D. Ziegler,** President and Director of The Ziegler Company, Inc., financial services holding company; Director of Western Publishing Company, Inc., and Globe-Union, Incorporated, manufacturer of batteries and electrical components

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Ernest R. Breech
John C. Cornelius
Alfred M. Gruenther

**Outside directors*

†Elected to Board January 30, 1978

‡Retired from active employment December 31, 1977

Officers and Committees

Officers

Justin Dart, *Chairman of the Board of Directors and Chief Executive Officer*
Thomas P. Mullaney, *President and Chief Operating Officer*
Robert T. Beattie, *Executive Vice President*
Ralph M. Knight, *Executive Vice President*
Phillip D. Matthews, *Executive Vice President, Finance and Administration, and Chief Financial Officer*
Hamer F. Wilson, *Executive Vice President; Chairman, Direct Selling Group*
Russell K. Bolton, *Vice President and General Counsel*
*Walter Bond, *Vice President; Executive Vice President, Tupperware International*
Vincent R. Cucina, *Vice President, Financial Planning*
Elmer M. Davis, *Vice President; President, Housewares division, Consumer Products Group*
John P. Del Favero, *Vice President; President, Chemical-Plastics Group*
F. William Graham, *Vice President; President, Consumer Products Group*
William H. Greenberg, *Vice President; President, Glass Containers Group*
*Joseph Hara, *Vice President; President, Tupperware U.S. and Executive Vice President, Tupperware International*
Thomas M. Mullen, *Vice President and Treasurer*
William R. Palmer, *Vice President and Controller*
John C. Phifer, *Vice President; President, Chemical Specialties sector, Chemical-Plastics Group*
Herschel A. Phillips, *Vice President, Labor Relations*
James P. Schwartz, *Vice President; President, Styro Products sector, Chemical-Plastics Group*
Norman Wicks, *Vice President, Corporate Relations*
Edgar Thedens, *Secretary*

Executive Committee

Justin Dart, *Chairman*
Curtis Barkes
Donald H. Brewer
Edward E. Carlson
William T. Gossett
Thomas P. Mullaney
Holmes Tuttle
Dale Reis, *Secretary*

Audit Committee

Curtis Barkes, *Chairman*
Donald H. Brewer
Edward E. Carlson
William T. Gossett
Holmes Tuttle
R. D. Ziegler

Stock Option and Incentive Compensation Committee

Holmes Tuttle, *Chairman*
Edward E. Carlson
William T. Gossett

Retirement Plans Committee

Russell K. Bolton, *Chairman*
Robert T. Beattie
Phillip D. Matthews
Ralph Wilson, Jr.
R. D. Ziegler
Robert MacPhail, *Secretary*

Nominating Committee

Justin Dart, *Chairman*
Curtis Barkes
Holmes Tuttle

**Elected Company vice president February 27, 1978.*

Investor Information

1977	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
Stock price range—high/low(1)					
Common	**34½/29⅜**	**39/30⅝**	**38½/34½**	**37⅜/32**	**39/29⅜**
Preferred	**39/33¼**	**41⅜/35**	**40¾/37**	**40/34¼**	**41⅜/33¼**
Cash dividends paid					
Common	**.25**	**.25**	**.25**	**.25**	**1.00**
Preferred		**1.00**		**1.00**	**2.00**

1976	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
Stock price range—high/low(1)					
Common(2)	38⅝/25⅞	34¾/30⅞	36¾/31¼	35⅜/28½	38⅝/25⅞
Preferred	41½/32¼	40¼/34	40⅜/35½	40/32½	41½/32¼
Cash dividends paid					
Common	.16	.16	.16	.20	.66(2)
Preferred		1.00		1.00	2.00

1. Dart Industries' Common and Preferred Stocks are traded principally on the New York Stock Exchange under the symbols "D" and "DPr," respectively. Prices noted are based on NYSE market prices.

2. Adjusted for 3% Common Stock dividend paid in May 1977.

Transfer Agents and Registrars

Morgan Guaranty Trust Company of New York
New York, N. Y.

State Street Bank and Trust Company
Boston, Mass.

Bank of America National Trust and
Savings Association
San Francisco, Calif.

Additional copies of this Annual Report, or copies of the Company's Form 10-K, will be furnished upon request free of charge.

Write to:

Corporate Secretary
Dart Industries Inc.
P.O. Box 3157, Terminal Annex
Los Angeles, California 90051

Another Way to Look at Company Revenues

Dart Industries' revenues for 1977 totaled $1.6 billion compared with $1.5 billion in 1976

Approximately 26 percent of total revenues in 1977 and 1976 were paid to employees in wages and benefits

Net profit in 1977 was 6.7 percent of revenues compared with 6.8 percent in 1976

Approximately 5 percent of revenues in 1977 and 1976 were retained in the Company for investment in new plant and equipment and the creation of new jobs

Approximately 1.8 percent of revenues were paid to stockholders in cash dividends in 1977 — 1.4 percent were paid in 1976